




Iowa Legal Aid

Independent Auditor's Reports and Consolidated Financial Statements

December 31, 2023 and 2022



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1401 50th Street, Suite 350 / West Des Moines, IA 50266

P 515.223.0159 / F 515.223.5429

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Independent Auditor's Report

Board of Directors
Iowa Legal Aid
Des Moines, Iowa

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Iowa Legal Aid, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Iowa Legal Aid as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Iowa Legal Aid and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa Legal Aid's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Iowa Legal Aid's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa Legal Aid's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information which comprises the schedule of support, revenue, and expenses for LSC funds; schedule of expenses compared to budget-AmeriCorps grant agreement; and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2024, on our consideration of Iowa Legal Aid's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Iowa Legal Aid's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Iowa Legal Aid's internal control over financial reporting and compliance.

FORVIS,LLP

West Des Moines, Iowa
April 22, 2024

Iowa Legal Aid
Consolidated Statements of Financial Position
December 31, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,007,859	\$ 3,118,623
Investments	6,024,262	5,714,829
Client trust funds	14,204	16,959
Grants and contributions receivable	4,083,310	3,127,775
Prepaid expenses	83,441	63,175
Property and equipment, net of accumulated depreciation	497,224	389,992
Right of use assets - operating	<u>4,225,290</u>	<u>4,666,282</u>
Total assets	<u>\$ 19,935,590</u>	<u>\$ 17,097,635</u>

Liabilities and Net Assets

LIABILITIES

Accounts payable	\$ 116,460	\$ 130,855
Accrued employee vacation	776,741	668,615
Deferred revenue	906,018	295,865
Client trust deposits	14,204	16,959
Operating lease liability	<u>4,408,107</u>	<u>4,794,059</u>
Total liabilities	<u>6,221,530</u>	<u>5,906,353</u>

NET ASSETS

Without donor restrictions	8,397,125	7,719,256
With donor restrictions	<u>5,316,935</u>	<u>3,472,026</u>
Total net assets	<u>13,714,060</u>	<u>11,191,282</u>

Total liabilities and net assets	<u>\$ 19,935,590</u>	<u>\$ 17,097,635</u>
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**Iowa Legal Aid
Consolidated Statement of Activities
Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions			Total
		Legal Services Corporation	Other Donor Restricted	Total With Donor Restriction	
PUBLIC SUPPORT AND REVENUE					
Public Support					
Annual Campaign	\$ 703,224	\$ -	\$ 45,808	\$ 45,808	\$ 749,032
Legal Services Corporation	-	4,127,072	-	4,127,072	4,127,072
Government agencies	1,551,638	-	4,551,446	4,551,446	6,103,084
IOLTA	-	-	460,197	460,197	460,197
United Way	43,190	-	560,488	560,488	603,678
Other contributions	2,327,436	-	1,345,724	1,345,724	3,673,160
Donated support	57,600	1,213,813	-	1,213,813	1,271,413
Total public support	<u>4,683,088</u>	<u>5,340,885</u>	<u>6,963,663</u>	<u>12,304,548</u>	<u>16,987,636</u>
Other revenue					
Investment return	194,901	56,644	105,316	161,960	356,861
Fee awards	1,645	10,000	-	10,000	11,645
Miscellaneous	5,483	-	-	-	5,483
Total other revenue	<u>202,029</u>	<u>66,644</u>	<u>105,316</u>	<u>171,960</u>	<u>373,989</u>
Net assets released from restrictions	<u>10,631,599</u>	<u>(5,407,529)</u>	<u>(5,224,070)</u>	<u>(10,631,599)</u>	<u>-</u>
Total public support and revenue	<u>15,516,716</u>	<u>-</u>	<u>1,844,909</u>	<u>1,844,909</u>	<u>17,361,625</u>
EXPENSES					
Program services	12,889,330	-	-	-	12,889,330
Supporting services	1,949,517	-	-	-	1,949,517
Total expenses	<u>14,838,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,838,847</u>
CHANGE IN NET ASSETS	<u>677,869</u>	<u>-</u>	<u>1,844,909</u>	<u>1,844,909</u>	<u>2,522,778</u>
Net Assets, Beginning of Year	<u>7,719,256</u>	<u>-</u>	<u>3,472,026</u>	<u>3,472,026</u>	<u>11,191,282</u>
Net Assets, End of Year	<u>\$ 8,397,125</u>	<u>\$ -</u>	<u>\$ 5,316,935</u>	<u>\$ 5,316,935</u>	<u>\$ 13,714,060</u>

Iowa Legal Aid
Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions			Total
		Legal Services Corporation	Other Donor Restricted	Total With Donor Restriction	
PUBLIC SUPPORT AND REVENUE					
Public Support					
Annual Campaign	\$ 968,772	\$ -	\$ 40,951	\$ 40,951	\$ 1,009,723
Legal Services Corporation	-	4,430,983	-	4,430,983	4,430,983
Government agencies	1,397,921	-	2,708,853	2,708,853	4,106,774
IOLTA	-	-	172,784	172,784	172,784
United Way	22,839	-	519,584	519,584	542,423
Other contributions	194,046	-	793,890	793,890	987,936
Donated support	-	1,213,414	-	1,213,414	1,213,414
Total public support	<u>2,583,578</u>	<u>5,644,397</u>	<u>4,236,062</u>	<u>9,880,459</u>	<u>12,464,037</u>
Other revenue					
Investment return	(382,406)	41,360	(125,856)	(84,496)	(466,902)
Fee awards	26,554	-	-	-	26,554
Miscellaneous	(761)	13,890	-	13,890	13,129
Total other revenue	<u>(356,613)</u>	<u>55,250</u>	<u>(125,856)</u>	<u>(70,606)</u>	<u>(427,219)</u>
Net assets released from restrictions	<u>11,985,613</u>	<u>(5,699,647)</u>	<u>(6,285,966)</u>	<u>(11,985,613)</u>	<u>-</u>
Total public support and revenue	<u>14,212,578</u>	<u>-</u>	<u>(2,175,760)</u>	<u>(2,175,760)</u>	<u>12,036,818</u>
EXPENSES					
Program services	12,156,443	-	-	-	12,156,443
Supporting services	1,961,355	-	-	-	1,961,355
Total expenses	<u>14,117,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,117,798</u>
CHANGE IN NET ASSETS	94,780	-	(2,175,760)	(2,175,760)	(2,080,980)
Net Assets , Beginning of Year as Restated	<u>7,624,476</u>	<u>-</u>	<u>5,647,786</u>	<u>5,647,786</u>	<u>13,272,262</u>
Net Assets, End of Year	<u>\$ 7,719,256</u>	<u>\$ -</u>	<u>\$ 3,472,026</u>	<u>\$ 3,472,026</u>	<u>\$ 11,191,282</u>

Iowa Legal Aid
Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total 2023</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
PERSONNEL EXPENSES					
Lawyers	\$ 4,767,511	\$ 416,377	\$ 20,819	\$ 437,196	\$ 5,204,707
Paralegals	1,433,080	2,872	-	2,872	1,435,952
Other salaries	971,058	401,329	320,775	722,104	1,693,162
Employee benefits	2,520,416	294,341	120,339	414,680	2,935,096
Total personnel expenses	<u>9,692,065</u>	<u>1,114,919</u>	<u>461,933</u>	<u>1,576,852</u>	<u>11,268,917</u>
NONPERSONNEL EXPENSES					
Office and occupancy	1,175,481	140,821	54,081	194,902	1,370,383
Contract services	105,961	4,085	1,709	5,794	111,755
Supplies and travel	307,843	41,984	8,082	50,066	357,909
Library	84,860	-	-	-	84,860
Insurance	53,712	6,457	2,619	9,076	62,788
Audit fees	11,878	33,259	2,376	35,635	47,513
Training and related	50,144	6,770	764	7,534	57,678
Dues and fees	19,458	8,168	930	9,098	28,556
Litigation	17,645	-	-	-	17,645
Other	-	400	-	400	400
Fundraising	-	-	41,467	41,467	41,467
Donated support	1,271,413	-	-	-	1,271,413
Total nonpersonnel expenses	<u>3,098,395</u>	<u>241,944</u>	<u>112,028</u>	<u>353,972</u>	<u>3,452,367</u>
Depreciation	<u>98,870</u>	<u>13,520</u>	<u>5,173</u>	<u>18,693</u>	<u>117,563</u>
Total expenses	<u>\$ 12,889,330</u>	<u>\$ 1,370,383</u>	<u>\$ 579,134</u>	<u>\$ 1,949,517</u>	<u>\$ 14,838,847</u>

**Iowa Legal Aid
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total 2022</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
PERSONNEL EXPENSES					
Lawyers	\$4,538,708	\$ 467,442	\$ 20,105	\$ 487,547	\$ 5,026,255
Paralegals	1,189,321	-	-	-	1,189,321
Other salaries	853,431	357,929	306,725	664,654	1,518,085
Employee benefits	2,506,048	302,353	118,541	420,894	2,926,942
Total personnel expenses	9,087,508	1,127,724	445,371	1,573,095	10,660,603
NONPERSONNEL EXPENSES					
Office and occupancy	1,161,878	133,693	46,250	179,943	1,341,821
Contract services	137,327	12,740	4,979	17,719	155,046
Supplies and travel	214,324	41,077	10,082	51,159	265,483
Library	72,411	-	-	-	72,411
Insurance	46,875	4,777	1,813	6,590	53,465
Audit fees	9,990	27,971	1,998	29,969	39,959
Training and related	39,708	4,089	-	4,089	43,797
Dues and fees	17,156	7,949	812	8,761	25,917
Litigation	10,882	-	-	-	10,882
Other	-	23,850	1,123	24,973	24,973
Fundraising	-	-	42,273	42,273	42,273
Donated support	1,218,214	-	-	-	1,218,214
Total nonpersonnel expenses	2,928,765	256,146	109,330	365,476	3,294,241
Depreciation	140,170	17,066	5,718	22,784	162,954
Total expenses	\$ 12,156,443	\$ 1,400,936	\$ 560,419	\$ 1,961,355	\$ 14,117,798

Iowa Legal Aid
Consolidated Statements of Cash Flows
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 2,522,778	\$ (2,080,980)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	117,563	162,954
Realized and unrealized (gains) losses on investments	(235,361)	536,034
Reinvested dividends	(105,566)	(77,196)
Contributions restricted for endowments	(18,700)	(18,900)
Noncash lease expense	440,992	476,984
Changes in		
Grants and contributions receivable	(955,535)	712,318
Prepaid expenses	(20,266)	(34,379)
Accounts payable	(14,395)	47,926
Operating lease liabilities	(385,952)	(349,207)
Accrued expenses	108,126	31,998
Deferred revenue	610,153	2,973
Net cash flows provided by (used in) operating activities	<u>2,063,837</u>	<u>(589,475)</u>
Investing Activities		
Purchase of investments	(2,452,470)	(1,424,988)
Maturities of investments	2,483,964	1,457,225
Purchase of property and equipment	<u>(224,795)</u>	<u>(250,777)</u>
Net cash flows used in investing activities	<u>(193,301)</u>	<u>(218,540)</u>
Financing Activities		
Proceeds from contributions with perpetual restrictions	18,700	18,900
Principal payments on finance lease obligations	<u>-</u>	<u>(97,272)</u>
Net cash flows provided by (used in) financing activities	<u>18,700</u>	<u>(78,372)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,889,236	(886,387)
Cash and Cash Equivalents, Beginning of Year	<u>3,118,623</u>	<u>4,005,010</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,007,859</u>	<u>\$ 3,118,623</u>

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Iowa Legal Aid (the Organization) is a nonprofit corporation organized for the purpose of providing legal assistance in non-criminal proceedings or matters to persons financially unable to afford legal assistance in the State of Iowa. Iowa Legal Aid is principally funded through grants from the Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a nationwide legal assistance program, and through funding from the State of Iowa.

Principles of Consolidation

The Iowa Legal Aid Foundation, a nonprofit organization, was formed with funding from donors. The Foundation's purpose is to support the Organization and is wholly controlled by the Organization. The activities of the Foundation have been consolidated with the activities of the Organization. All material related party balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are not considered to be cash and cash equivalents. At December 31, 2023, cash equivalents consisted primarily of money market accounts.

At December 31, 2023, the Organization's cash accounts exceeded federally insured limits by approximately \$4,518,000.

Client Escrow Funds

The Organization receives monies from clients for payment of certain court costs and litigation expenses. An attempt to return unexpected receipts in connection with representation to the client is made at the conclusion of the case. Unexpected funds that belong to a client who cannot be located are treated as donations to the Organization in accordance with the retainer agreement between the client and the program. Client funds are segregated from program funds and accordingly, at December 31, 2023 and 2022, the Organization recorded a corresponding liability in the amount of the client escrow fund assets.

Grants and Contributions Receivable

Grants and contributions receivable are stated at net realizable value. An allowance for doubtful accounts is provided based upon management's judgement, including such factors as prior history and nature of the contribution. The Organization considers all balances as of December 31, 2023 and 2022, to be fully collectible and, therefore, no allowance for doubtful accounts has been recorded.

Investments

The Organization measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in beneficial interests in net assets of Foundations are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Net Investment Return

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment acquisitions over \$500 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives. Estimated useful lives of 5-10 years have been assigned to furniture, fixtures and equipment.

Property and equipment acquired with LSC funds are considered to be owned by the Organization while used in the program or in future authorized programs. However, LSC has a reversionary interest in these assets with the right to determine the use of any proceeds from the sale of assets purchased with its funds.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended December 31, 2023 and 2022.

Deferred Revenue

Deferred revenue consists of grant proceeds received from conditional contributions for which the Organization has not overcome all material barriers in order to be entitled to funding.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor or grantor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions are subject to donor or grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Iowa Legal Aid
Notes to Consolidated Financial Statements
December 31, 2023 and 2022**

At its discretion, LSC may request reimbursement of expenses or the return of unexpended funds as a result of noncompliance by the Organization with the terms of the grant. In addition, if the Organization terminates its LSC grant activities, all unexpended funds are to be returned to LSC.

The Organization recognizes interest on lawyer trust account (IOLTA) grant funds in the period received. Funds remaining unexpended at the end of an accounting period are recorded as net assets with donor restrictions until funds are expended in accordance with specific terms of the grant.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
	<u>Conditional gifts, with or without restriction</u>
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
	<u>Unconditional gifts, with or without restriction</u>
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Iowa Legal Aid
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

The Organization recognizes grant funds from Legal Services Corporation (LSC) as restricted support when all material conditions have been met. Funds remaining unexpended at the end of an accounting period are recorded as deferred revenue. In accordance with normal LSC policies, the Organization may use unspent funds in future periods as long as expenses incurred are in compliance with the specified terms of the LSC grant as defined. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grant. In addition, if the Organization terminates its LSC grant activities, all unexpended funds are to be returned to LSC.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the time and effort analysis and other methods.

In some cases, common expenses are incurred which support the work performed under more than one grant. Such expenses are allocated between LSC funding and other grant funds as agreed by these funding sources or, in the absence of an agreement, on the basis of allocations which are deemed appropriate by the Organization's management. Activities financed in part by LSC funds are carried out in a manner consistent with the LSC Act, regulations and appropriations riders, as amended. Activities financed by non-LSC sources of funding are carried out in accordance with the restrictions and requirements imposed by LSC regulations on the recipient's other sources of funding. Non-LSC funding sources are notified by the Organization's management prior to the granting of funds that no funding received will be used in a manner contrary to the LSC Act, regulations and appropriations rules, as amended.

Note 2. Grants and Contributions Receivable

Grants and contributions receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Appropriations from State of Iowa	\$ 654,601	\$ 1,314,601
IOLTA (Interest on Lawyers Trust Account) grants	230,099	84,620
United Way agency allocations	273,568	244,695
Legal Services Coporation	324,739	346,564
Billings on conditional grant awards	359,780	454,297
Other unconditional awards	<u>2,240,523</u>	<u>682,998</u>
	<u>\$ 4,083,310</u>	<u>\$ 3,127,775</u>

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	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 1,947,605	\$ 1,269,043	\$ 3,216,648
Due within one to five years	-	934,616	934,616
	1,947,605	2,203,659	4,151,264
Less			
Unamortized discount	-	67,954	67,954
	<u>\$ 1,947,605</u>	<u>\$ 2,135,705</u>	<u>\$ 4,083,310</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	<u>\$ 1,080,017</u>	<u>\$ 2,047,758</u>	<u>\$ 3,127,775</u>

The Organization has not recorded an allowance for uncollectible grants and contributions receivable as it believes all amounts will be collected.

The discount rates were 4.79 percent and 0 percent for 2023 and 2022, respectively

Note 3. Interest in Assets at Community Foundations

Pooled investments are included under investments in statement of financial position and consist of assets held at the Quad Cities Community Foundation and the Cedar Rapids Community Foundation (the Community Foundations) under designated agency agreements. Pooled investments are carried at fair value, with gains and losses resulting from market fluctuations recognized in the period in which the fluctuations occur. Investment return is reported as an increase or decrease in net assets without donor restrictions unless the use of the assets is restricted by the donor and the restrictions have not been met in the reporting period in which the investment return was recognized.

The Organization holds a share of the pooled funds and not direct ownership of the underlying investment. The funds are subject to policies and governing documents of the Community Foundations, including control over investment and asset management. Distributions from the funds are paid to the Organization according to the Community Foundations' distribution policy. The Community Foundations maintain variance power over these assets. Variance power assures the donor that if the charitable purpose of the contribution becomes impractical, impossible or inconsistent with the charitable needs of the community served the distributions will be directed to similar purposes in the community. Despite the variance power, the Organization believes the Community Foundations will continue to make annual distributions to the Organization.

The fair value of the retained beneficial interest included in the statements of financial position was \$892,270 and \$797,743 at December 31, 2023 and 2022, respectively.

Iowa Legal Aid
Notes to Consolidated Financial Statements
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Note 4. Property and Equipment

Property and equipment at December 31, 2023 and 2022 consists of:

	2023		
	Non-LSC	LSC	Total
Furniture and equipment	\$ 667,789	\$ 535,881	\$ 1,203,670
Leasehold improvements	326,060	-	326,060
	993,849	535,881	1,529,730
Less accumulated depreciation	<u>(868,142)</u>	<u>(164,364)</u>	<u>(1,032,506)</u>
Net property and equipment	<u>\$ 125,707</u>	<u>\$ 371,517</u>	<u>\$ 497,224</u>
	2022		
	Non-LSC	LSC	Total
Furniture and equipment	\$ 728,473	\$ 250,403	\$ 978,876
Leasehold improvements	326,060	-	326,060
	1,054,533	250,403	1,304,936
Less accumulated depreciation	<u>(835,797)</u>	<u>(79,147)</u>	<u>(914,944)</u>
Net property and equipment	<u>\$ 218,736</u>	<u>\$ 171,256</u>	<u>\$ 389,992</u>

Note 5. Deferred Revenue

The Organization has received the funds from various grants in which the Organization has not yet overcome all material barriers in order to be entitled to the funding. The Organization anticipates achieving these barriers in the upcoming fiscal year.

Deferred revenue at December 31, 2023 and 2022, consists of the following:

	2023	2022
LSC Disaster Appropriation	\$ 124,357	\$ 280,587
LSC Basic Field Grant	707,213	-
IFA Housing Assistance Fund	<u>74,448</u>	<u>15,278</u>
Total	<u>\$ 906,018</u>	<u>\$ 295,865</u>

Note 6. Leases

Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into the following lease arrangements:

Operating Leases

The Organization has leases for office space that expire in various years through 2038. Payments are generally made on a monthly basis at the beginning of the month. While most leases have fixed payments that do not change during the lease term, there are some leases with annual escalators of 2-4%. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Additionally, the Organization has leases for equipment that expire in various years through 2027. Payments are generally made on a quarterly or annual basis at the beginning of the period. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. However, all leases may be canceled if all or part of LSC funding is eliminated, with periods ranging from 30 to 90 days.

All Leases

The Organization has no material related-party leases.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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Quantitative Disclosures

The lease cost and other required information for the year ended December 31, 2023 and 2022 are:

	<u>2023</u>	<u>2022</u>
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	\$ -	\$ 92,826
Interest on lease liabilities	-	2,518
Operating lease cost	<u>445,956</u>	<u>497,741</u>
Total lease cost	<u>\$ 445,956</u>	<u>\$ 593,085</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 548,039	\$ 349,207
Operating cash flows from finance leases	-	2,518
Financing cash flows from finance leases	-	97,272
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 3,842,714
Weighted-average remaining lease term		
Operating leases	12.29 yrs	12.73 yrs
Finance leases	0 yrs	0 yrs
Weighted-average discount rate		
Operating leases	3.49%	3.48%

Future minimum lease payments and reconciliation to the consolidated statements of financial position at December 31, 2023, are as follows:

	<u>Operating Leases</u>
2024	\$ 561,330
2025	473,793
2026	464,608
2027	425,161
2028	379,589
Thereafter	<u>3,220,166</u>
Total future undiscounted lease payments	5,524,647
Less: imputed interest	<u>1,116,540</u>
Lease liabilities	<u>\$ 4,408,107</u>

Note 7. Employee Benefits

Employees are credited with vacation from the first day of employment. Employees with less than five years with the Organization accrue 20 days per year; employees with five to ten years with the Organization accrue 24 days per year; and, employees with over ten years with the Organization accrue vacation leave at 30 days per year. The maximum number of vacation hours that can be accumulated and carried over into a new fiscal year per employee is 337.5 hours. The liability shown is the accumulation of vacation pay through December 31, 2023 and 2022, of \$776,741 and \$686,615, respectively.

The Organization has a 401(k) retirement plan for all eligible employees. All employees are eligible for the plan, except for leased employees and all non-salaried clerical employees and law clerks, following minimum service of six months. The employer contribution is 4.0%, with an additional match of up to 3.0% for employees making contributions to the retirement plan. The total net employer contributions to the retirement plan, including the employer match for the year ended December 31, 2023 and 2022, was \$455,885 and \$461,421, respectively.

Note 8. Contributed Nonfinancial Assets

Donated Support

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

The value of donated services is derived by the number of hours a private attorney or an in-house volunteer works on a case or activity multiplied by a predetermined hourly rate. The predetermined hourly rate of \$261 and \$250 for volunteer attorneys for the years ended December 31, 2023 and 2022, respectively, was determined by market data and industry standards. The value of donated services recognized in the statement of activities was \$1,271,413 and \$1,213,414 during 2023 and 2022, respectively.

Other Contributed Items

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Iowa Legal Aid
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Note 9. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2023 and 2022, are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
IOLTA-BOA	\$ -	\$ 9,383
Public School Legal Clinics	21,250	-
Community Stabilization	45,600	52,651
Housing	49,167	13,720
Eviction Diversion Project	436,695	327,836
Expungement	-	22,995
Communications Manager	25,000	-
Local Programs	712,602	-
Residents with Disabilities	3,000	-
Veterans & Rural Justice Programs	940,108	-
2023 Barristers Ball (ILAF)	-	2,650
2024 Fundraising Events (ILAF)	17,855	-
Local Office Support	-	8,250
	<u>2,251,277</u>	<u>437,485</u>
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	2,203,659	2,047,758
Other	139,588	310,538
	<u>2,343,247</u>	<u>2,358,296</u>
Not subject to spending policy or appropriation		
Beneficial interest in assets held by the:		
Cedar Rapids Community Foundation	294,694	291,410
Quad Cities Community Foundation	427,717	384,835
	<u>722,411</u>	<u>676,245</u>
	<u>\$ 5,316,935</u>	<u>\$ 3,472,026</u>

Iowa Legal Aid
Notes to Consolidated Financial Statements
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Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31, 2023 and 2022, have been designated for the following purposes:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 7,872,956	\$ 7,302,319
Designated by the Board for Endowment	26,945	26,945
Invested in property and equipment, net of related debt	<u>497,224</u>	<u>389,992</u>
Net assets without donor restrictions	<u>\$ 8,397,125</u>	<u>\$ 7,719,256</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2023</u>	<u>2022</u>
Expiration of time restriction	\$ 4,186,424	\$ 5,415,508
Satisfaction of purpose restrictions		
Legal Services Corporation	5,407,529	5,699,647
IOLTA	9,383	-
Community stabilization	72,751	70,000
Expungement	22,995	-
History project	-	1,000
Hotline for older Iowans	150	11,800
Housing	52,053	90,000
Parent representation	-	105,000
Public school legal clinics	33,754	41,462
Disaster	-	27,764
Local programs	179,250	-
Eviction diversion project	600,474	457,552
Poverty law intern	-	5,672
Veterans programs	1,000	1,000
Local office support	38,862	28,249
Family stabilization	-	-
Internship	7,000	-
Foundation fundraising events	2,650	-
Technology	<u>17,324</u>	<u>30,959</u>
	<u>\$ 10,631,599</u>	<u>\$ 11,985,613</u>

Iowa Legal Aid
Notes to Consolidated Financial Statements
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Note 10. Endowment Funds

The Organization's governing body is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the Organization classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The Organization's endowment consists of approximately 4 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at December 31, 2023 and 2022, was:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 26,945	\$ -	\$ 26,945
Donor-restricted endowment funds	-	722,411	722,411
	<u>\$ 26,945</u>	<u>\$ 722,411</u>	<u>\$ 749,356</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 26,945	\$ -	\$ 26,945
Donor-restricted endowment funds	-	676,245	676,245
	<u>\$ 26,945</u>	<u>\$ 676,245</u>	<u>\$ 703,190</u>

Iowa Legal Aid
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The change in endowment funds for the year ended December 31, 2023 and 2022, were:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 26,945	\$ 676,245	\$ 703,190
Investment return, net	-	54,930	54,930
Contributions	-	18,700	18,700
Appropriation of endowment assets for expenditures	-	(27,464)	(27,464)
Endowment net assets, end of year	<u>\$ 26,945</u>	<u>\$ 722,411</u>	<u>\$ 749,356</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 30,269	\$ 769,621	\$ 799,890
Investment return, net	(3,324)	(48,010)	(51,334)
Contributions	-	18,900	18,900
Appropriation of endowment assets for expenditures	-	(64,266)	(64,266)
Endowment net assets, end of year	<u>\$ 26,945</u>	<u>\$ 676,245</u>	<u>\$ 703,190</u>

Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Organization's policies, endowment assets are invested in a manner that is intended to produce results that produce maximum long-term investment returns. Actual returns and risk in any given year may vary.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a spending policy of appropriating for expenditure each year 4.5% of its endowment fund's average fair value over the prior 20 quarters through the year end preceding the year in which expenditure is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 7.0% annually. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Iowa Legal Aid
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Underwater Endowments

The governing body of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Note 11. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,007,859	\$ 3,118,623
Investments	6,024,262	5,714,829
Grants and contributions receivable	<u>4,083,310</u>	<u>3,127,775</u>
	15,115,431	11,961,227
Less financial assets of Iowa Legal Aid Foundation	<u>(1,583,060)</u>	<u>(1,517,487)</u>
	<u>\$ 13,532,371</u>	<u>\$ 10,443,740</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in various short-term investments.

Iowa Legal Aid Foundation has a separate board that controls availability of funds to the Organization. The Organization may make grant requests to the Foundation for access to these funds.

Note 12. Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Iowa Legal Aid
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

	Fair Value Measurements Using				
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
December 31, 2023					
U.S. Treasury Bills	\$ 4,892,972	\$ 4,892,972	\$ -	\$ -	\$ -
Money market funds	239,020	239,020	-	-	-
	5,131,992	5,131,992	-	-	-
Interest in assets at Greater Cedar Rapids Community Foundation	464,352	-	-	-	464,352
Interest in assets at Quad Cities Community Foundation	427,918	-	-	-	427,918
Total Investments	\$ 6,024,262	\$ 5,131,992	\$ -	\$ -	\$ 892,270
	Fair Value Measurements Using				
	Total Fair value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
December 31, 2022					
U.S. Treasury Bills	\$ 4,778,269	\$ 4,778,269	\$ -	\$ -	\$ -
Money market funds	138,817	138,817	-	-	-
Total investments	4,917,086	4,917,086	-	-	-
Interest in assets at Greater Cedar Rapids Community Foundation	412,908	-	-	-	412,908
Interest in assets at Quad Cities Community Foundation	384,835	-	-	-	384,835
Total Assets	\$ 5,714,829	\$ 4,917,086	\$ -	\$ -	\$ 797,743

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2023. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 13. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 24% and 36% of the Organization's public support for the year ended December 31, 2023 and 2022, respectively, came from LSC. LSC provided the Organization funding of \$4,127,072 and \$4,430,983 for the years ended December 31, 2023 and 2022, respectively. LSC funds are restricted to be used only for purposes authorized under the Legal Services Corporation Act, regulations and appropriations riders, as amended, including those contained in Section 509 of 110 Stat. 1321 (1996).

Approximately 15% and 21% of the Organization's public support for the year ended December 31, 2023 and 2022, respectively, was from an appropriation from the State of Iowa's General Assembly. The 2023 and 2022 sessions of the Iowa General Assembly awarded Iowa Legal Aid \$2,629,202 and \$2,629,202, respectively. Funds are paid to Iowa Legal Aid quarterly and may be subject to de-appropriation. As of December 31, 2023 and 2022, \$654,601 and \$1,314,601, respectively, of this award is included in grants and contributions receivable.

General Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Note 14. Subsequent Events

The Organization signed a new collective bargaining agreement with its employees that is effective January 1, 2024 through December 31, 2025.

Subsequent events have been evaluated through April 22, 2024, which is the date the financial statements were available to be issued.

Supplementary Information

Iowa Legal Aid
Schedule of Support, Revenue, and Expenses for LSC Funds
Year Ended December 31, 2023

	<u>Basic Field Grant</u>	<u>Private Attorney Involvement</u>	<u>Farm Worker Project</u>
SUPPORT AND REVENUE			
Contributions	\$ 2,654,831	\$ 480,291	\$ 318,696
Donated support	-	1,213,813	-
Miscellaneous revenue	-	-	10,000
Interest income	56,644	-	-
	<u>2,711,475</u>	<u>1,694,104</u>	<u>328,696</u>
Total support and revenue			
PERSONNEL EXPENSES			
Lawyers	1,077,541	137,792	77,956
Paralegals	297,288	118,193	68,084
Other salaries	296,620	48,177	46,444
Employee benefits	608,471	110,009	63,699
	<u>2,279,920</u>	<u>414,171</u>	<u>256,183</u>
Total personnel expenses			
OTHER EXPENSES			
Office and occupancy	283,720	48,135	9,370
Contract services	23,137	2,847	43
Supplies and travel	69,426	6,258	58,710
Library	17,569	1,841	194
Insurance	12,188	1,499	383
Audit fees	9,837	1,031	109
Training and related	11,941	1,239	1,467
Dues and fees	-	777	502
Litigation	3,653	2,484	1,734
Other expenses	83	9	1
Donated support	-	1,213,813	-
	<u>431,554</u>	<u>1,279,933</u>	<u>72,513</u>
Total other expenses			
Capital expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 2,711,474</u>	<u>\$ 1,694,104</u>	<u>\$ 328,696</u>

**Iowa Legal Aid
Schedule of Support, Revenue, and Expenses for LSC Funds (continued)
Year Ended December 31, 2023**

<u>20-21 Disaster Supplemental Appropriations</u>	<u>Disaster Supplemental Appropriations Grant</u>	<u>Total</u>
\$ 611,954	\$ 61,300	\$ 4,127,072
-	-	1,213,813
-	-	10,000
-	-	56,644
<u>611,954</u>	<u>61,300</u>	<u>5,407,529</u>
66,556	6,130	1,365,975
128,508	6,265	618,338
18,336	23,625	433,202
73,680	13,305	869,164
<u>287,080</u>	<u>49,325</u>	<u>3,286,679</u>
37,723	1,345	380,293
29,090	8,604	63,721
32,188	1,084	167,666
404	79	20,087
587	104	14,761
226	44	11,247
21,825	679	37,151
393	21	1,693
84	16	7,971
2	-	95
-	-	1,213,813
<u>122,522</u>	<u>11,976</u>	<u>1,918,498</u>
<u>202,352</u>	<u>-</u>	<u>202,352</u>
<u>\$ 611,954</u>	<u>\$ 61,301</u>	<u>\$ 5,407,529</u>

**Iowa Legal Aid
Schedule of Expenses Compared to Budget - AmeriCorps Grant Agreement
For the Year Ended December 31, 2023**

**Contract 23-AC-08
9/1/2023 through 8/31/2024**

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual 9/1/2023 to 12/31/2023</u>
Program Operating Costs	\$ 209,260	\$ 49,105
Member Costs	246,072	39,574
Administrative Costs	<u>58,368</u>	<u>11,368</u>
Total	<u>\$ 513,700</u>	<u>\$ 100,047</u>
Federal Share of Cost	\$ 256,846	\$ 50,524
Grantee's Share of Cost	<u>256,854</u>	<u>50,023</u>
Total	<u>\$ 513,700</u>	<u>\$ 100,547</u>

**Contract 22-AC-08
9/1/2022 through 8/31/2023**

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual 9/1/2022 to 12/31/2022</u>	<u>Actual 1/1/2023 to 12/31/2023</u>	<u>Total</u>
Program Operating Costs	\$ 196,364	\$65,759	\$129,634	\$195,393
Member Costs	231,666	51,053	149,616	\$200,669
Administrative Costs	<u>54,860</u>	<u>14,994</u>	<u>35,688</u>	<u>50,682</u>
Total	<u>\$ 482,890</u>	<u>\$ 131,806</u>	<u>\$ 314,938</u>	<u>\$ 446,744</u>
Federal Share of Cost	\$ 241,275	\$66,297	\$155,345	\$221,642
Grantee's Share of Cost	<u>241,615</u>	<u>65,509</u>	<u>159,593</u>	<u>\$225,102</u>
Total	<u>\$ 482,890</u>	<u>\$ 131,806</u>	<u>\$ 314,938</u>	<u>\$ 446,744</u>

**Iowa Legal Aid
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023**

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor	Pass-Through Entity or Other Identifying Number	Total Federal Expenditures
Legal Services Corporation				
Legal Assistance	9.516005		AD--00906	\$ 3,135,112
Migrant Project	9.516006		AD--00906	318,696
2020-2021 Disaster Supplemental Appropriation	9.516007		AD-21-DSA-00015	611,964
2022 Disaster Supplemental Appropriation	9.516007		GT-22DPG-00006	61,301
Total Legal Services Corporation				4,127,073
U.S. Department of Justice				
Legal Assistance for Victims	16.524	Refugee and Immigrant Voices in Action	15JOVW-22-GG-00278-LEGA	107,121
Crime Victim Assistance	16.575	Iowa Department of Justice	VOCA-2024-ILA-00008	50,532
Crime Victim Assistance	16.575	Iowa Department of Justice	VOCA-2023-ILA-00173	144,368
Total U.S. Department of Justice				302,021
Internal Revenue Service				
Low Income Taxpayer Clinics	21.008		23-LITC0555-02-00	114,295
Total Internal Revenue Service				114,295
U.S. Department of Health & Human Services				
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	Area Agencies on Aging	Various	266,829
Total for Aging Cluster				266,829
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048		90LAEP0009-01-00	63,706
Discretionary Projects	93.048		90LAEP0009-02-00	19,638
				83,344
Temporary Assistance for Needy Families	93.558	Iowa Department of Human Services	DCAT5-19-003	69,848
				69,848
Total U.S. Department of Health & Human Services				420,021
Corporation for National and Community Service				
AmeriCorps	94.006	Iowa Commission on Volunteer Services	23-AC-08	53,024
AmeriCorps	94.006	Iowa Commission on Volunteer Services	22-AC-08	155,345
Total Corporation for National and Community Service				208,369
U.S. Department of Housing and Urban Development				
Emergency Solutions Grant	14.231	Iowa Finance Authority	ESG-77054-23	79,880
COVID-19 Emergency Solutions Grant	14.231	Iowa Finance Authority	ESG-CV2-77054-20	50,092
U.S. Department of Housing and Urban Development				129,972
U.S. Department of Veteran Affairs				
Supportive Services to Veterans Families Program	64.033	Primary Health Care	13-IA-103	11,842
Supportive Services to Veterans Families Program	64.033	Hawkeye Community Action Agency	15-IA-192	(3,254)
Supportive Services to Veterans Families Program	64.033	Family Alliance for Veterans	14-IA-191	(29)
Legal Services for Veterans Grants	64.056	N/A	IA-227-LSV-187-22	10,156
Total U.S. Department of Veteran Affairs				18,715
U.S. Department of Treasury				
Homeowner Assistance Fund	21.026	Iowa Finance Authority	IHAF	253,330
COVID-19 State and Local Fiscal Recovery Funds	21.027	Johnson County Social Services	FY 23 -FY 24	40,040
Total U.S. Department of Treasury				293,370
Total Federal Awards				\$ 5,613,836

Iowa Legal Aid
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Iowa Legal Aid (the Organization) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Subrecipients

The Organization did not pass through any federal awards to subrecipients during the year ended December 31, 2023.



1401 50th Street, Suite 350 / West Des Moines, IA 50266

P 515.223.0159 / F 515.223.5429

forvis.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* Independent Auditor's Report

Board of Directors
Iowa Legal Aid
Des Moines, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Iowa Legal Aid (the Organization), which comprise the Organization's consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

West Des Moines, Iowa
April 22, 2024



1401 50th Street, Suite 350 / West Des Moines, IA 50266

P 515.223.0159 / F 515.223.5429

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Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Independent Auditor's Report

Board of Directors
Iowa Legal Aid
Des Moines, Iowa

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Iowa Legal Aid's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Iowa Legal Aid's major federal program for the year ended December 31, 2023. Iowa Legal Aid's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Iowa Legal Aid complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of Iowa Legal Aid and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of Iowa Legal Aid's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Iowa Legal Aid's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Iowa Legal Aid's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Iowa Legal Aid's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Iowa Legal Aid's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Iowa Legal Aid's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Iowa Legal Aid's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS,LLP

West Des Moines, Iowa
April 22, 2024

**Iowa Legal Aid
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
Significant deficiency(ies) identified? Yes None reported
Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:
Significant deficiency(ies) identified? Yes None reported
Material weakness(es) identified? Yes No

5. Type of auditor's report issued on compliance for the major federal awards program:
 Unmodified Qualified Adverse Disclaimer

6. Any audit findings required to be reported in accordance with 2 CFR 200.516(a)? Yes No

**Iowa Legal Aid
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2023**

6. Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
9.516005	Legal Services Corporation
9.516006	Legal Services Corporation
9.516007	Legal Services Corporation

7. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

8. Auditee qualified as a low-risk auditee? Yes No

Iowa Legal Aid
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2023

Section II - Financial Statement Findings

Reference Number	Finding
	No matters are reportable

Section III - Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Iowa Legal Aid
Summary of Prior Year Audit Findings
Year Ended December 31, 2023

Reference Number	Finding	Status
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No matters are reportable.